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TAGS: [ENRG](#) [PREL](#) [PGOV](#) [ECON](#) [LG](#)
SUBJECT: LATVIAN OPTIMISM ON BALTIC ENERGY MEETING

REF: SECSTATE 38591

Classified By: CDA Bruce Rogers for reasons 1.4 (b) & (d)

11. (C) Summary: The Latvians are optimistic about the potential for movement on long-delayed energy interconnection plans in the meeting of Baltic prime ministers scheduled for April 26-27. The Prime Minister's office expressed hope that the meeting would yield a breakthrough "comprehensive agreement on political issues." The foundation of such an agreement would be commitment to open markets, but they were not able to provide much detail on what had lead to agreement on contentious issues. Given comments from other observers, post thinks this view may be overly rosy. End Summary.

12. (C) On April 21, Acting DCM delivered reftel points to Juris Stalmeisters, foreign policy adviser to Prime Minister Dombrovskis. (Further discussion of the points with MFA representatives is planned for later in the week.) Stalmeisters indicated that a conclusive political agreement was a possibility, to the extent that only technical follow-up would remain. The keys to such an agreement would be open markets in all three Baltic countries, and free access by all the Baltic States to any external connection, such as the disputed electric connection to Sweden ("Swedlink") and especially a link between Lithuania and Poland.

13. (C) Stalmeisters noted that the key would be convincing Estonia to open its electricity market earlier than required by its derogation, which lasts until 2013. The Latvians claim that they are in an unfair position because their electricity market is open to their neighbors, but their neighbors' markets remain closed to them. Stalmeisters said their goal is for the Estonians to agree to open 35% of their market by the end of the year. (He also suggested that the Finns are pushing for complete opening as a condition of going ahead with the Estlink II project). He backed off of earlier GOL arguments in favor of a combined Baltic Transmission System Operator (TSO), describing that as a "long term goal."

14. (C) However, significant doubt about this issue remains. Juris Ozolins, Special Adviser to Energy Commissioner Piebalgs, claimed in a meeting with EconOff on April 20 that the Latvian position on this issue is not well-founded. He pointed out that Latvia is a net importer of electricity, and it does not make sense from a regional policy perspective for them to demand further opening of the Estonian market based on nothing more than the hope that Latvia one day will have enough capacity to be a net exporter. He also called Latvian plans for a regional TSO naive in their hope that such a body could actually be apolitical.

15. (C) Comment: The Latvians' positivity was refreshing, but perhaps a bit over-optimistic. It may indicate increased willingness of the GOL to allow Swedlink to connect to Lithuania if there are sufficient guarantees of access and openness. However, Stalmeisters did not offer evidence of what had shifted to make a deal possible now. It is possible that the Baltic States are getting pressure from the EU to

come to an agreement. However, if Ozolins's statements are representative of the Energy Commissioner's, Latvia's solution to the disagreement may not have broad support.

ROGERS